

TIP OF THE MONTH:

How to Sell Your Property While It's Occupied – Part Two

By Jim Straub, Oregon Rental Housing Association Legislative Director

Last month we talked about how to sell your property while it's occupied, and I suggested using Oregon Rental Housing Association Form #40 "Entry Agreement for Sale". This agreement allows the tenants, for a concession, to waive their right to a 24 hour notice to enter. It's a great option if you have fairly reliable tenants, but not an especially close, positive relationship with them.

An approach I like even better is to get the tenants more involved. If I have a good set of tenants, ones that I can count on to follow-through for me, I offer them a flat fee of \$500 - \$1,500 to be paid to them *at closing*. I ask them to waive their 24 hour notice to enter, but that really becomes a mute issue because I actually want them there when potential buyers look at the house. Then they have a vested interest in the sales process. I ask them to keep the house spotless, the light bulbs changed and generally make the house look like a house they would want to buy. Then, when I show potential buyers the house, I let the tenants tell them everything they love about the house. "I love living here because..." I even had one tenant who was so excited about the process that she kept a roll of frozen cookie dough in the freezer and, when I'd call to say I was bringing someone over, she'd pop some cookies in the oven. The house would fill with the scent of warm cookies, making it feel more lived in and cared for than ever.

There are several keys to making this work successfully. The first, and most important, is talk to your tenants well in advance of putting the property on the market. With an investment property, you generally know that you're going to sell ahead of time and have some flexibility about exactly when to put it on the market. Don't be too formal or stuffy – don't write them a letter or give notice. Call them and ask to arrange a time when you can sit together at the property and have a discussion. Put their mind at ease about why you're calling, so they don't think you want a 'sit-down' because they've done something wrong. Just let them know you have some things you want to run by them.

When you sit down together, the most important thing for you, as the landlord, to do at this point is to listen. Explain that you are considering selling the property and want to hear their thoughts. Remember the old axiom, "Ask, don't tell." How does this make them feel? Really listen. Are they panicked that a new owner might make them move? Raise their rent? If they have kids, are they concerned about being given a notice to vacate in the middle of the school year? These are all valid concerns that you should address to the extent that you can.

If they are concerned about a notice to vacate, and the property is a duplex or multi-plex, you can help ease their fears. With their excellent rental history, it's highly unlikely a new owner would ask them to move. With a single family dwelling, it's a little trickier, because there is no

good way of knowing if a new owner is going to use it as a rental or make it owner occupied. In this case, make the new owner give your tenants as much time as possible to vacate by writing a clause in the sales contract that any notices to vacate must be at least ____ number of days. This is an enforceable agreement at the close of escrow. You could also consider giving them a fixed term lease for several months, which must be honored by the buyer. If they have kids, is it only a few months until the end of the school year? If this is a concern, consider waiting to put the property on the market until the school year is over. Whatever their concern, try to accommodate their timeline if possible. Remember, these have been good tenants who have followed your rules, paid their rent on time, and helped you build equity in your property – it's time to return the favor.

Now that you've addressed their fears, it's time to enlist their help. First, encourage and empower them. People like to feel valuable. Compliment how well they've cared for the property and made it their home. This is true no matter how shabby their furniture or decorating style may be. I'm sure you can find *something* to compliment. Next, explain landlord and tenant rights during the sales process, but tell them you'd rather do this without having to go through the 24 hour notice process each time. Explain your idea to involve them in the sale of the property. Make them seem a vital part of this process, then throw out the \$500 - \$1,500 figures to be paid to them at closing. Explain that this will help cover their new security deposit if they have to move and, if you like the way the property looks during the sit-down, tell them that as long as they continue to pay rent and leave the property in good condition when they leave, you will return their security deposit in full. The flat fee at closing and a return of their security deposit combined is a windfall for most tenants, and I find they will jump at the chance.

How much to offer them? It depends on the tenants and the rental. If it's a high-end rental and they've been paying a significant amount of rent, I might offer them a higher amount than someone in a low-end studio apartment. However, it's important to meet your tenants where there are. If you start at \$500 and the tenant says he'll do it for \$1,000, I'd probably jump at it. Just try to reach an amount with which both you and your tenants can be comfortable.

Remember, if you've developed a good relationship with your tenants, they should want to help you. It's a win-win situation for everyone. Your property looks better and sells faster. Your tenants get a little money for their trouble and have a chance to impress their new landlord or financial help towards making a new start. The buyer gets the house they want and a start on a good relationship with their inherited tenants. I've even found this works well with realtors and have spoken to a number of them who are already using this method successfully. You can't go wrong. Good luck!
